


Mount Wright Iron Mines Company Limited

Annual Report

For the year ended December 31, 1977



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**Mount Wright Iron Mines
Company Limited**

OFFICERS

- R. C. Stanley, Jr.
President
- P. A. Allen
Vice-President
- F. A. Godfrey
Vice-President – Mining
- E. J. Wade
*Vice-President – Engineering and
Administration*
- D. G. Sheehan
Vice-President – Exploration
- I. T. H. Hamilton
Secretary-Treasurer

DIRECTORS

- J. C. L. Allen
- P. A. Allen
- I. T. H. Hamilton
- R. C. Stanley, Jr.
- D. C. Webster

TRANSFER AGENT

Canada Permanent Trust Company
Toronto, Ontario

AUDITORS

Thorne Riddell & Co.
Toronto, Ontario

HEAD OFFICE

Suite 1900, 101 Richmond Street West
Toronto, Ontario M5H 1T1
Phone (416) 868-1300

President's Report

Mount Wright Iron Mines Company Limited is a holding company, within the Little Long Lac mining group. Its two principal assets consist of six claims covering a hematite iron ore deposit adjacent to Quebec Cartier's Mount Wright mine in northeastern Quebec, and a 1.0 percent gross royalty interest in the production from the Rubiales lead-zinc property in northern Spain owned by Exploracion Minera Internacional which began official production in 1977. In 1977, Mount Wright issued a \$20,000 subordinated debenture payable to an associated company with interest at 7 percent. After January 31, 1979 the associated company may convert the debenture into capital stock of Mount Wright at 25¢ per share. The purpose of this debenture was to provide sufficient working capital to satisfy continued stock exchange listing requirements.

Application has been made by the Company to the Ontario Securities Commission and The Toronto Stock Exchange to issue to Little Long Lac Gold Mines Limited an additional subordinated convertible debenture with a principal amount of \$20,000 due March 31, 1986 bearing interest at the rate of 7% per annum and convertible into 80,000 common shares after January 31, 1980 to bring the company's working capital up to a level sufficient to maintain its listing on the TSE.

March 27, 1978

On behalf of the Board of Directors

R. C. STANLEY, Jr.
President

Mount Wright Iron Mines Company Limited
(Incorporated under the laws of Ontario)

BALANCE SHEET

AS AT DECEMBER 31, 1977

	1977	1976
Assets		
CURRENT ASSETS		
Cash and short term deposit	\$ 23,532	\$ 1,514
Accrued interest	105	
Marketable securities, at cost less allowance for decline in quoted market value of \$9,000		22,122
	<u>23,637</u>	<u>23,636</u>
MINING PROPERTIES AND CLAIMS (note 2)		
Mount Wright Area, Quebec, at the value placed on 1,000,000 shares issued therefor plus \$4,600 cash	<u>304,600</u>	<u>304,600</u>
OTHER ASSETS AND DEFERRED EXPENDITURES		
Exploration and administrative expenditures deferred (note 2) .	618,844	599,981
Other, at nominal value	4	4
	<u>618,848</u>	<u>599,985</u>
	<u>\$ 947,085</u>	<u>\$ 928,221</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 25	\$ 1,299
Payable to associated company		
Accrued interest on debenture (note 3)	123	1,625
Other	48	7,157
	<u>196</u>	<u>10,081</u>
LONG TERM DEBT		
Subordinated debenture (note 3)	<u>20,000</u>	<u>25,000</u>
SHAREHOLDERS' EQUITY		
Capital Stock (notes 3 and 5)		
Authorized — 7,500,000 shares of \$1 each		
Issued — 5,061,829 shares (1976 — 4,947,780 shares)	5,061,829	4,947,780
Less discount on shares	<u>3,127,140</u>	<u>3,041,603</u>
	1,934,689	1,906,177
Contributed Surplus	<u>1,367,195</u>	<u>1,367,195</u>
	3,301,884	3,273,372
Deficit	<u>2,374,995</u>	<u>2,380,232</u>
	926,889	893,140
	<u>\$ 947,085</u>	<u>\$ 928,221</u>

Approved by the Board
 Director, P. A. ALLEN
 Director, I. T. H. HAMILTON

**STATEMENT OF EXPLORATION
AND ADMINISTRATIVE EXPENDITURES DEFERRED**
YEAR ENDED DECEMBER 31, 1977

	1977	1976
Exploration	\$ 4,261	Nil
Administrative		
Meetings and reports	4,805	\$ 2,238
Share issue and stock exchange listing expense	6,953	8,403
Interest expense on subordinated debenture	697	1,625
Legal and audit	938	653
Capital taxes	1,431	2,171
Sundry	183	10
	15,007	15,100
Deduct dividends and interest	405	1,200
	14,602	13,900
EXPENDITURES (NET) FOR THE YEAR	18,863	13,900
BALANCE DEFERRED AT BEGINNING OF YEAR	599,981	586,081
BALANCE DEFERRED AT END OF YEAR	\$ 618,844	\$ 599,981

STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1977

	1977	1976
DEFICIT AT BEGINNING OF YEAR	\$2,380,232	\$2,380,232
Loss on sale of marketable securities	3,763	
Reduction in allowance for decline in market value of marketable securities	(9,000)	
DEFICIT AT END OF YEAR	\$2,374,995	\$2,380,232

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1977

	1977	1976
WORKING CAPITAL DERIVED FROM		
Shares issued on conversion of 6½% subordinated debenture and interest thereon	\$ 28,512	
7% Subordinated debenture	20,000	
Reduction in allowance for decline in market value of marketable securities	9,000	
	<u>57,512</u>	
WORKING CAPITAL APPLIED TO		
Exploration and administrative expenditures (net) for the year .	18,863	\$ 13,900
Loss on sale of marketable securities	3,763	
Repayment of 6½% subordinated debenture by conversion to capital stock	25,000	
	<u>47,626</u>	<u>13,900</u>
INCREASE (DECREASE) IN WORKING CAPITAL	9,886	(13,900)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>13,555</u>	<u>27,455</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 23,441</u>	<u>\$ 13,555</u>

AUDITORS' REPORT

To the Shareholders of
Mount Wright Iron Mines Company Limited

We have examined the balance sheet of Mount Wright Iron Mines Company Limited as at December 31, 1977 and the statements of exploration and administrative expenditures deferred, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 11, 1978

THORNE RIDDELL & CO.,
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1977

1. ACCOUNTING POLICIES

(a) Mining properties

Mining properties are recorded at the value placed on shares issued therefor plus cash payments. When properties are considered to be permanently uneconomical, they are written off.

(b) Exploration and administrative expenditures

All exploration and administrative expenditures are deferred until production commences or the property is considered to be permanently uneconomical. When a property is considered to be permanently uneconomical the related expenditures are written off.

2. RECOVERY OF COSTS

The recovery of costs of mining properties and claims and exploration and administrative expenditures deferred is dependent upon obtaining adequate financing and developing a sufficient quantity of ore of economic value.

3. SUBORDINATED DEBENTURE

The subordinated debenture outstanding at December 31, 1977 payable to an associated company matures March 31, 1984 with interest at 7% payable annually on January 31. The associated company has the option at any time after January 31, 1979 to convert the debenture into shares of the capital stock of the company at 25¢ per share.

The company will have the right to repay the debenture at any time prior to maturity without notice or bonus to the extent that its working capital is not reduced below \$75,000.

4. ANTI-INFLATION LEGISLATION

The company is subject to the Anti-Inflation Act which provides as from October 14, 1975 for the restraint of profit margins, prices, dividends and compensation in Canada. In the opinion of management, the company has complied with this Act.

5. CAPITAL STOCK

During the year the company issued 100,000 shares of its capital stock on the conversion of the 6½% \$25,000 subordinated debenture and 14,049 shares for the accrued interest on the said debenture.

